(b) Pursuant to the announcement made in the Budget for 2007-08 to use a part of the foreign exchange reserves for infrastructure financing without the risk of monetary expansion, the Reserve Bank of India in consultation with the Government of India has taken a decision to invest up to US $ 5 billion in the wholly owned off-shore subsidiary of India Infrastructure Finance Company Limited. This subsidiary would lend to Indian companies implementing infrastructure projects in India.

Effect of inflation on economic growth

4239. SHRI A. VIJAYARAGHAVAN: Will the Minister of FINANCE be pleased to state:

(a) whether the current inflation affect the growth registered for the last three years;

(b) if so, the details thereof and the steps taken to control inflation;

(c) the factors, both national and international, that had caused the present inflation; and

(d) the steps taken in details to shelter the commodity price of the country from the impact of global tendencies?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (d) Year-on-year WPI based average inflation and country GDP growth rate in per cent is indicated in the table below:

Table: Year-on-year average inflation and GDP growth rate (%)

Year	WPI inflation	GDP Growth rate
2005-06	4.4	9.4
2006-07	5.4	9.6 (Quick Estimate)
2007-08	4.5 (Provisional)	8.7 (Advance estimate)

Increase in global commodity prices and increase in domestic demand relative to its availability has resulted in increase in prices. In an open economy, movement in world commodity prices affects domestic prices, though the pass-through is moderated through fiscal measures. Increase in the prices of coal, mineral oils, iron ore and increase in prices of basic metals and alloys comprising iron and steel, foundries for casting and forgings and pipes and wires led to an increase in rate of inflation.

Containment of inflation along with maintenance of high Economic growth are priority of the Government. Anti-inflationary policies of the government include strict fiscal discipline, rationalization of duties of essential items, effective supply-demand management of essential commodities through liberal tariff and trade policies, and procurement through public sector agencies. To supplement government's efforts and Reserve Bank of India has formulated the monetary policy to be conducive to economic growth, while attempting to contain inflationary expectations arising out of uncertainties in domestic and international environment.

Difficulties faced by income tax payers

4240. SHRI PRAVEEN RASHTRAPAL: Will the Minister of FINANCE be pleased to state:

(a) the difficulties faced by various tax payers on account of disallowance of certain payments under Section 40(a) (ia) of the Income Tax Act, 1961;

(b) whether it is a fact that many representations are made to the Ministry by various associations, individual tax payers and Income Tax Advocates Federation; and

(c) If so, what actions are proposed by the Ministry to solve the issue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Representations have been received from various quarters, pointing out difficulties like not enough time being available to deposit tax deducted at source (TDS) at the end of year and doubts about the deductibility of tax on certain payments thus leading to sizeable disallowance of the related expenditure under section 40(a) (ia) of the Income-tax Act.

(c) The Finance Bill, 2008-09, proposes to amend section 40(a) (ia) with retrospective effect from 1-4-2005 (with effect from assessment year 2005-06 onwards) to allow time upto the due date of filling of return of income for deposit of TDS pertaining to deductions made in the month of March so that disallowance is not attracted in such cases under the provisions of section 40(a)(ia) of the Income-tax Act. The due date for filling of return, in most cases of TDS deductors would be 30th September. The taxpayer (deductor) will, therefore, get a time of six months (April to September) for depositing the tax deducted at source on an expenditure incurred in the month of March.

This amendment would give substantial relief to taxpayers from any hardship caused by the pre-amended provisions of section 40(a)(ia) of the Income-tax Act.

Joint initiative of IIFCL, Citi Bank and Blackstone Group

4241. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) the total investments in infrastructure so far made by India Infrastructure Finance Corporation Ltd. (IIFCL);

(b) the status of the joint initiative between IIFCL, Citi Bank and Blackstone Group; and

(c) the likely impact on Indian Infrastructure due to recent financial problem in Citi Bank and Blackstone Group?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) As on 31st March 2008, IIFCL has sanctioned loans for 78 infrastructure projects amounting to Rs. 16,969 crore. These projects involve a total project cost of Rs. 1,18,703 crore.

(b) Agreement for the India Infrastructure Finance Initiative was signed on 15th February, 2007 between IDFC, IIFCL and Citigroup with the objective of facilitating large scale capital investments in infrastructure assets in India. The overall targeted capital to be raised under this initiative is USD 5 billion comprising:

(i) UP to USD 3 billion in long tenor external commercial borrowings with maturities exceeding 10 years to be raised by IIFCL in several tranches over three years, subject to RBI approval, for financing infrastructure projects in India.

(ii) Upto USD 2 billion in equity capital to be raised by IDFC and Citigroup from international and domestic sources including IIFCL in tranches for an unlisted fund with a first tranche of USD 1 billion. Under this, IIFCL is to contribute $25 million to the equity fund.